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SUBJECT Recent USIA Developments

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Reduction of Personnel

1. So far no large personnel cuts have been made by USIA-controlled firms, but USIA departments and the Central Commercial Bureau continue to release incompetent employees. According to THIENDEL, Austrian commercial expert employed at the Central Commercial Bureau, no wide scale personnel reductions are expected before November 1949.\* During June 1949, the Central Commercial Bureau dismissed about two persons a week. the Bureau is administered jointly by SILEVCHENKO and ZHADOV. Their secretary is an Austrian, Miss MATZEK. Dr. HUTSCHNEGGER is now on leave and has been replaced by Dr. HOLLAND and his assistant, Dr. HORKEL. All employees of USIA's German Properties Department have been transferred to other USIA departments, with the exception of Soviet Director OLEKH, WANER. Austrian real estate expert, and two secretaries. MARKSTEINER has been transferred to the Avtovelo department.\*\* The German Properties Department is now solely occupied with answering occasional requests for file data from USIA's Legal Department, which is still investigating the ownership of various German properties.

Soviet Orders to USIA Firms

2. It is now quite apparent that some USIA-controlled firms will continue to work on Soviet orders for an indefinite period of time.\*\* J. M. Voith is to be expanded, and 2,000 new employees will be hired shortly. Austro-Flat, Koenig & Bauer, and the Mercedes Benz work shop are hiring additional workers. Recently, a change in USIA's method of ordering products from current production of USIA firms. Heretofore, Avtovelo's Sales Office has purchased these products from Avtovelo firms, which it later sold at a 10 to 50 percent profit. Now, products ordered from current production of firms supervised by Avtovelo are shipped to Avtovelo's warehouse marked "for storage only", and the transfer of goods is not registered in Avtovelo's SalesOffice records.

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USIA Inventory of Stocks

3. USIA firms continue to inventory all material and equipment not essential to current production for shipment to the USSR or for immediate sale.\* The Soviets have purchased spiral drills, valued at 300,000 schillings from Kromag A.G., and [ ] that cyrillic stencils are being used to address this shipment. In addition, stocks of spiral drills held in the Avtovelo department warehouse are also being inventoried for shipment to the Soviet Union. A few weeks ago, USIA purchased iron and steel, manufactured at the Voest Works in Linz, from an unknown commercial agent at an estimated cost of 3,000,000 to 4,000,000 schillings. [ ] no further knowledge of this transaction. The Metallurgical Administration of USIA and A/O Avtovelo have rented DDSG warehouses No. A and No. C at the Handelskai 101 dock, Vienna-Zwischenbruecker. These warehouses are to be used to store products ordered by USIA for the Soviets, and the deputy warehouse manager has been advised that large shipments of Avtovelo products will be received shortly. Sixty cases of razor blades for shipment to the Soviet Union have already been received from "Auwerk" Hainfelder Stahlwarenfabrik.\*\*

Semi-annual Inventory and Accounting

4. Meanwhile, in anticipation of the semi-annual inventory and accounting, USIA administrations are trying to straighten their accounts with USIA headquarters, by transferring to USIA headquarters certain products as payment for various schilling debts. Director BUERSCH of Friedrich Weichmann's Nachfolger Metallwarenfabrik und Apparatebau G.m.b.H. has stated that this firm will use its current Soviet order for automobile headlights and spotlights to clear its debt with USIA.\*\*\* Similarly, USIA headquarters has taken over Avtovelo's surplus stock of volt-ammeters for sale to the Soviet Union by USIA's Commercial Department.\*\*\* This transfer and various other arrangements have enabled Avtovelo to pay USIA headquarters a debt of 3,000,000 schillings and by so doing reduced Avtovelo's debt to the Soviet Military Bank to 700,000 schilling.\*\*\*\* It should be noted that USIA headquarters pays no interest on its debts to USIA firms, whereas USIA-controlled firms are charged interest at the rate of six percent on all debts to USIA headquarters. [ ] a number of employees recently hired by the Metallurgical Administration have been employed solely for the purpose of preparing USIA's semi-annual financial reports.

Avtovelo Sales Office

5. Avtovelo's Sales Office is still struggling to find customers for Avtovelo products, although the only products now in demand are Diesel motors and auxiliary Diesel power plants.\*\*\*\*\* [ ] the sales office handled sales transactions involving products from current production of Avtovelo firms, valued at 84,000 schillings; a total of 225,000,000 schillings was credited to this office when Avtovelo transferred the C.P. Goerz manufactured volt-ammeters to USIA headquarters. At the same time USIA owes individual Avtovelo firms about 3,325,000 schillings for recent purchases.

The following are book values of Avtovelo products and miscellaneous equipment, [ ]

Warehouse, Vienna IV, Faulmannsgasse 5	spiral drills	275,900 schillings
Warehouse II, DDSG; Zwischenbruecken (Vienna XX, Handelskai 101 Warehouse A)	motor-driven railway repair cars (Draisinen)	513,344 "
	trailers	135,526 "
	grading machines for spiral drills	54,100 "
	miscellaneous band steel	49,000 "
		751,970

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Warehouse IV (Schaeffer & Budenberg, Vienna X, 101 Buchinstrasse 96)	miscellaneous tools	31,200 schillings
Estimated value of 6 machines and auxiliary equipment rented to Austro-Fiat		373,206 "
Machinery rented to Kromag A.G.		379,305 "
Inventory of office equipment and miscellaneous supplies		288,419 "
Total		1,824,100 "

Rax Werk G.m.b.H. Inventory

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6. The following list gives the book values quoted for surplus materials and equipment at Rax Werk G.m.b.H., [redacted] the total value of Rax Werk stocks to be about 3,000,000 schillings. In this connection, [redacted] Rax Werk is now trying to sell about 30 new tank cars.

Nautical instruments, welding wire, and a high grade of scrap. 61,000 schillings

Sheet iron, iron wire, iron and steel rods, square rods, flat steel, steel plates, tool steel, pipes, profile iron, copper and bronze. 839,157 "

Screws, bolts, washers, rivets, ballbearings valued at 80,000 schillings and various types of bearings (Schwenklager and Gelenklager) valued at 750,000 schillings  
Total 1,582,760 schillings

Lumber, artificial resin (Troelit), plywood, pine and beech milled lumber. 238,498 "

Raw rubber, rubber hose, metal hose, approximately 4,000 hard rubber tires and German tanks 76,458 "

Truck trailers, harrows, curry combs, and dump cars 1,050,000 "

Railway car axles 50,516 "

USIA Transactions with Yugoslavia

7. As a result of TIKHOMIROV's order to stop all USIA transactions with Yugoslav commercial representatives, Hirtenberger Patronenfabrik has cancelled its contract for the sale of ammunition to Technopromet and Makedonia, Vienna IV, Wiedner Hauptstrasse 17, and has replaced this contract with a similar agreement with Gustav Genschow & Co., Vienna XII, Neulinggasse 14. This firm, which allegedly has a monopoly for the sale of Hirtenberger Patronenfabrik products, will sell the ammunition to Technopromet.\*

Distribution of Food stuffs to Austrian employees.

8. USIA's office for the distribution of foodstuffs to Austrian employees is to be closed. This office, which has been operating since USIA was established has imported foodstuffs without import permits from the Balkans for sale at prices slightly less than local black market prices on a ration card basis. [redacted] USIA's decision to close this office is prompted by a desire to cut overhead expenses; furthermore, most basic commodities are now available on the Austrian market.

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9. Communist members of USIA's trade union headquarters are now inclined to hold the Soviets responsible for USIA's failure to pay social benefits, mistreatment of Austrian employees and extensive dismantling projects such as that at Enzesfeld. Some USIA's Communist employees are said to be disturbed by the recent fall from grace of Hungarian Minister RAJK and also by an increase in refugees from Rumania, who are Communist Party members.

Page 1

25X1 \*  Comment: Systematic reduction of USIA administrative personnel and details of personnel cutbacks made by USIA's Central Commercial Bureau were reported

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25X1 \*\*  Comment: According to an unprocessed report  MARKSTEINER is not a Communist, has had no legal or business experience, and therefore handled only minor cases for the German Properties Department.

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25X1 \*\*\*  Comment: For previous reports on Soviet orders to USIA firms,

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Page 2

25X1 \*  Comment: Recent reports on USIA firms' inventories were disseminated

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25X1 \*\*  Comment: Details regarding procurement of first quality razor blade steel by Franz Zimmermann Import u. Export G.m.b.H., from Solingen, Germany, for Stahlwarenfabrik "Auwerk" Hainfeld were given

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25X1 \*\*\*  Comment:  it was reported that it would take six months for Friedrich Weichmann's Nachfolger to complete this Soviet order.

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25X1 \*  Comment:  a total of 100 to 125 Diesel motors produced by Kloeckner-Humboldt-Deutz, 25 are allocated to the Austrian market and the remainder are to be shipped to the Soviet Union or used for a Soviet order of about 1,000 mobile electrical units, now being manufactured by this firm.

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